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U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-KSB
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR
15 (d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2004
Commission file number 0-9951

ADVANCED OXYGEN TECHNOLOGIES, INC.
(Name of small business Issuer in its charter)

Delaware 91-1143622
(State of incorporation) (I.R.S. Employer Identification No.)

C/O Crossfield, Inc. 133 W 13th St, New York, NY 10011
(Address of principal executive offices) (Zip Code)

212-727-7085
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered under Section 12(g) of the Exchange Act:
Common Stock, par value $.01 per share

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No[ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this form 10-KSB. [X]

For the year ended June 30, 2004, Issuer's revenues were $41,421

The aggregate market value of Common Stock at June 30, 2004 held by non-affiliates approximated $300,434 based upon the average bid and asked prices for a share of Common Stock on that date. For purposes of this calculation, persons owning 10% or more of the shares of Common Stock are assumed to be affiliates, although such persons are not necessarily affiliates for any other purpose. As of June 30, 2004, there were 46,973,585 issued and outstanding shares of the registrant's Common Stock, $.01 par value.

Transitional Small Business Disclosure Format (check one):Yes[ ] No [X]

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PART I

ITEM 1- DESCRIPTION OF BUSINESS

Advanced Oxygen Technologies, Inc. ("Advanced Oxygen Technologies", "AOXY", "AOT" or the "Company"), incorporated in Delaware in 1981 under the name Aquanautics Corporation, was, from 1985 until May 1995, a development stage specialty materials company producing new oxygen control technologies. From May of 1995 through December of 1997 AOXY had minimal operations and was seeking funding for operations and companies to which it could merge or acquire. In March of 1998 AOXY began operations in California. From 1998 through 2000, the business consisted of producing and selling CD- ROMS for conference events, advertisement sales on the CD's, database management and event marketing all associated with conference events. From 2000 through

March of 2003, the business consisted solely of database management. From 2003 forward, the business operations were derived totally from the Company's wholly owned business, IP Service, ApS, a Danish IP security vulnerability company("IP Service"). IP Service provides network administrators early IP security warnings and vulnerabilities.

THE PATENT SALE

On May 1, 1995, the Company sold its patents, and all related technology and intellectual property rights (collectively the "Patents Rights") to W. R. Grace & Co. Conn., a Connecticut corporation ("Grace"). The price for the Patents Rights was $335,000, in cash, and a royalty until April 30, 2007 of two percent (2%) of the net sales price of (a) all products sold by Grace that include as a component, material that absorbs, bars, climinates, extracts and/or concentrates oxygen that, but for the purchase of the Patents Rights, would fringe the Patents Rights, and (b) any mixture or compound (other than a finished product) which includes as a component material that absorbs, bars, climinates, extracts and/or concentrates oxygen that, but for the purchase of the Patent Rights, would infringe the Patent Rights. Subsequently these royalties and associated liabilities were transferred to a trust (see Trust Agreement 12/18/97 below).

STOCK ACQUISITION AGREEMENT, 12/18/97

Pursuant to a Stock Acquisition Agreement dated as of December 18, 1997, Advanced Oxygen Technologies, Inc. ("AOXY") has issued 23,750,00 shares of its common stock, par value $.01 per share for $60,000 cash plus consulting services rendered valued at $177,500, to Crossland, Ltd., ("Crossland"), Eastern Star, Ltd., ("Eastern Star"), Coastal Oil, Ltd. ("Coastal") and Crossland, Ltd. (Belize) ("CLB"). Crossland and Eastern Star, Ltd. are Bahamas corporations. Coastal Oil and CLB are Belize corporations.

PURCHASE AGREEMENT, 12/18/97

Pursuant to a Purchase Agreement dated as of December 18, 1997, CLB, Triton-International, Ltd., ("Triton"), a Bahamas corporation, and Robert E. Wolfe purchased an aggregate of 800,000 shares of AOXY's common stock from Edelson Technology Partners II, L.P. ("ETPII") for $10,000 cash. AOXY issued 450,000 shares of its capital stock to ETPII in exchange for consulting services to be rendered. The general partner of ETPII is Harry Edelson, Chairman of the Board and Chief Executive Officer of AOXY prior to the transactions resulting in the change of control (the "Transactions"). Prior to the Transactions Mr. Edelson directly or indirectly owned approximately 25% of the issued and outstanding common stock of AOXY, and following the completion of Mr. Edelson's consultancy he will own approximately 1.5%.

Company/Individual	Number of Shares	Percent Ownership
Robert E. Wolfe	50,000	0.17%
Crossland (Belize)	6,312,500	21.30%
Triton International	375,000	1.26%
Coastal Oil, Ltd.	5,937,500	20.03%
Crossland Ltd.	5,937,500	20.03%
Eastern Star, Ltd.	5,937,500	20.03%

The 23,750,000 shares of AOXY common stock sold by AOXY as of December 18, 1997 to Crossland, Eastern, Coastal and CLB pursuant to the Stock Acquisition Agreement (the "Regulation S Shares") were not registered under the Securities Act of 1933, as amended, in reliance on the exemption from registration provided by Rule 903(c)(2) of Regulation S. Consideration for the Regulation S Shares consisted of $60,000 cash and consulting services rendered valued at $177,500. Each of the purchasers of the Regulation S Shares (a "Buyer") has represented to AOXY that (i) it is not a "U.S. Person" as that term is defined in Rule 902 (o) of Regulation S; (ii) the sale of the Regulation S Shares was taking place outside of the United States; (iii) no offer was made in the United States; (iv) it was purchasing the Regulation S Shares for its own account and not as a nominee or for the account of any other person or entity; (v) it had no intention to sell or distribute the shares except in accordance with Regulation S; (vi) it agreed that it would not transfer Regulation S Shares to a U.S. Person before the 41st day from the date the Buyer purchased the Regulation S Shares.

AOXY represented to the Buyers that it had not conducted any "directed selling effort" as defined in Regulation S, and that it had filed all reports required to be filed under the Securities Exchange Act of 1934 during the preceding twelve months.

WAIVER AGREEMENT, 12/18/97

Pursuant to a Waiver Agreement dated as of December 18, 1997, Emile Battat, Richard Jacobsen, each directors of AOXY prior to the Transactions, Sharon Castle, a former officer of AOXY, and ETPII released AOXY from any liability for repayment of an aggregate of $275,000 of loans plus all interest due thereon previously made by them to AOXY in consideration of an aggregate amount of $60,000 cash paid to them pro rata in proportion to their individual loans outstanding by CLB, Triton and Robert E. Wolfe. The source of funds for the Transactions was working capital and personal funds. To the knowledge of the registrant, no arrangements exist which might subsequently result in a change in control of the registrant.

CHANGE OF DIRECTORS

All of the directors and officers of AOXY resigned in connection with the Transactions on December 18, 1997. Robert E. Wolfe and Joseph N. Noll were elected as directors and Mr. Wolfe was appointed President.

TRUST AGREEMENT, 12/18/97

On December 18, 1997, pursuant to a Trust Agreement dated as of November 7, 1997 and an Assignment and Assumption agreement dated as of November 8, 1997, certain royalty rights associated with Grace and liabilities related to technology AOXY sold to a third party in 1995 were transferred to a trust for the benefit of the AOXY shareholders of record at that date. No royalties had been paid or become due with respect to the rights transferred to the Trust, and no value was assigned to such rights on the books of AOXY.

ACQUISITION OR DISPOSITION OF ASSETS, MARCH 09,1998.

On March 9, 1998, pursuant to an Agreement for Purchase and Sale of Specified Business Assets, a Promissory Note, and a Security Agreement all dated March 9, 1998, Advanced Oxygen Technologies, Inc.(the "Company") purchased certain tangible and intangible assets (the "Assets") including goodwill and rights under certain contracts, from Integrated Marketing Agency, Inc., a California Corporation ("IMA"). The assets purchased from IMA consisted primarily of furniture, fixtures, equipment, computers, servers, software and databases previously used by IMA in its full service telemarketing business. The purchase price of $2,000,000 consisted of delivery at closing by the Company of a $10,000 down payment, a Promissory Note in the amount of $550,000 payable to IMA periodically, with final payment due on April 10, 2000 and accruing compounded interest at a rate of nine percent (9%) per annum, and 1,670,000 shares of convertible, preferred stock, par value $.01 per share, of the Company (the "Preferred Stock"). The Preferred Stock is automatically convertible into shares of the Company's common stock, par value $.01 per shares (the "Common Stock"), on March 2, 2000, at a conversion rate which will depend on the average closing price of the Common Stock for a specified period prior thereto. The purchase price was determined based on the fair market value of the purchased assets. The down payment portion of the purchase price was drawn from cash reserves of the Company, and the cash required for payments due under the Promissory Note will be generated by future revenues from the Company's business.

TEUBER EMPLOYMENT AGREEMENT TERMINATION

Pursuant to an employment agreement dated March 09, 1998 between the Company and John Teuber ("Employment Agreement"), on September 04, 1998 the Company terminated John Teuber for cause without relinquishing any of its rights or remedies.

SET OFF OF PROMISSORY NOTE, 9/4/98

Pursuant to the Note, the Purchase Agreement, and the Security Agreement between the Company and ("IMA"), the Company on September 04, 1998 exercised its right of "Set Off" of the Note, as defined therein due to IMA's breach of numerous representations, warranties and covenants contained in the Note and certain ancillary documents. The Company further reserved any and all rights and remedies available to it under the Note, Purchase Agreement and Security Agreement.

GAYLORD EMPLOYMENT AGREEMENT TERMINATION

The Company entered into a two year employment agreement ("NAG Agreement" as contained in Exhibit I of the registrants SEC Form 10-K for the period ending June 30, 1998) with Nancy Gaylord on March 13, 1998. On September 18, 1998, Nancy Gaylord terminated her employment with the Company. The NAG Agreement had no provision for this termination.

CALIFORNIA FACILITIES, 9/30/98

The Company entered into a lease agreement as contained in Exhibit I of the registrants SEC Form 10-QSB for the period ending September 30, 1998 with America-United Enterprises Inc. ("Landlord") on October 01, 1998 and took possession of 4,700 s.f. of premises on November 06,1998 in Santa Clarita for its CA location. As of June 30, 2001 the Company had abandoned the premises and had begun negotiations with the Landlord for release of the remaining lease obligation of the Company.

DEMAND FOR INDEMNIFICATION, 12/9/98

On December 9, 1998 the company delivered to IMA, "Notification to Indemnifying Party and Demand for Indemnification for $2,251,266." Pursuant to the Note, the Purchase Agreement, the Security Agreement, and the Employment Agreement (collectively the "Agreements"), the Company demanded that IMA pay $2,251,266 or defend the Company against the Liabilities (as defined therein) due to, among other things, IMA's breach, representations, warranties, and violation of the Agreements.

PURCHASE AGREEMENT OF 1/29/99

On January 29, 1999, pursuant to the Purchase Agreement of 1/28/99, Advanced Oxygen Technologies, Inc. ("AOXY") purchased 1,670,000 shares of convertible preferred stock of Advanced Oxygen Technologies, Inc. ("STOCK") and a $550,000 promissory note issued by Advanced Oxygen Technologies, Inc. ("Note") from Integrated Marketing Agency, Inc.("IMA"). The terms of the Purchase Agreement were: AOXY paid $15,000 to IMA, assumed a Citicorp Computer Equipment Lease, #010-0031648-001 from IMA, delivered to IMA certain tangible business property (as listed in Exhibit A of the Purchase Agreement), executed a one year $5,000 promissory note with IMA, and delivered to IMA a Request For Dismissal of case #PS003684 (restraining order) filed in Los Angeles county superior court. IMA sold, transferred, and delivered to AOXY the Stock and the Note. IMA sold, transferred, assigned and delivered the Note and the Stock to AOXY, executed documents with Citicorp Leasing, Inc. to effectuate an express assumption by AOXY of the obligation under lease #010-0031648-001 in the amount of $44,811.26, executed a UCC2 filing releasing UCC-1 filing #9807560696 filed by IMA on March 13, 1998, and delivered such documents as required. In addition, both IMA and AOXY provided mutual liability releases for the other.

ARTICLES OF INCORPORATION AMENDMENT OF 04/18/2000

On April 18, 2000, notice was given that the Board of Directors and persons owning 64.7%, or 19,180,500 shares of common stock of Advanced Oxygen Technologies, Inc. have elected to adopt the following proposals: 1. To amend and restate the Company's Restated Articles of Incorporation to increase the Company's authorized Common Shares from 30,000,000 to 90,000,000 shares, 2. The Board of Directors has approved an amendment to the Company's Certificate of Incorporation to change the name of the Company to AOXY, Inc. The Company's current name was adopted in 1985 when the Company was focused on applications of its technology which it has since disposed of or otherwise abandoned. The Board of Directors believes it would be more appropriate for the Company to utilize a corporate name which more accurately describes the current focus of the Company or is not misleading as to the Company's operations. The above amendments to the Certificate of Incorporation will be filed with the Secretary of State of the State of Delaware, and the Name Change will become effective as of 5:00 p.m. Eastern Time, on the date of such filing.

PURCHASE AGREEMENT OF 01/12/2001

The Company sold to Purchasers (the "Purchasers" as defined in the Purchase Agreement) an amount of three million (3,000,000) shares (the "Regulation S Shares") of the capital stock of AOXY, Inc., ("AOXY") pursuant to the Purchase Agreement ("Purchase Agreement" Exhibit A) in an amount to each Purchaser as set forth on Schedule 1 of the Purchase Agreement attached thereto. The Regulation S Shares have not been registered under the Securities Act of 1933, as amended, in reliance on the exemption from registration provided by Rule 903(c)(2) of Regulation S. Consideration for the Regulations S Shares consisted of $125,000 cash and forgiveness of debt. (Exhibit A attached hereto).

CHANGE OF ADDRESS OF 11/01/2001

The Company's location, and location of books and records has changed from Advanced Oxygen Technologies, Inc. 26883 Ruether Avenue, Santa Clarita, CA, 91351 ("CA Location") to Advanced Oxygen Technologies, Inc. c/o Crossfield, Inc. 133 W 13th Street, Suite #5, New York, NY 10011, Telephone (212)-727-7085, Fax (208)-439-5488. This location is co-located with a related business of the president, Robert E. Wolfe.

ACQUISITION OR DISPOSITION OF ASSETS OF 03/05/2003

Pursuant to a stock acquisition agreement, on March 05, 2003 Advanced Oxygen Technologies, Inc. (AOXY or the Buyer) purchased 100% of the issued and outstanding stock of IP Services, ApS (IP or the Company) from all of its owners (the Shareholders) for value of five hundred thousand dollars (Purchase Price). AOXY issued fourteen million shares of common stock and one share of preferred convertible stock to the Shareholders for payment and consideration of the Purchase Price.

Pursuant to an Employment Agreement, on March 05, 2003 AOXY entered into an agreement with Kurd Søndergaard (Employee). The Employee will be employed by AOXY for four years and will perform duties of president of IP.

Pursuant to the covenant of non competition agreement, the Shareholders agreed not to compete with IP for a period of five years.

RESIGNATIONS OF REGISTRANTS DIRECTORS OF 03/05/2003

At a special meeting of the Board of Directors, AOXY removed Joseph N. Noll as a director due to his inability to perform his duties as a director. AOXY appointed Kurt Søndergaard and Lawrence Donofrio to the board of directors to replace Joseph N. Noll . Kurt

Søndergaard founder and major shareholder of the company, Mr. Søndergaard was educated in the Danish Navy as an electronic engineer. He has worked for 10 years in the electronic security industry, specifically in the IT sector. During this period, Kurt has developed as a business entrepreneur, building and selling an IT business. Lawrence Donofrio graduated from Hamilton College with a BA in English studies. He then worked at Citibank for three years as a financial analyst, and five years as a private financial consultant. He then took a position with Bankers Trust for two years and since 1982 has been a private consultant in the financial industry.

WAIVER AGREEMENT OF 06/26/2003

Pursuant to a Waiver Agreement on June 26, 2003 , the debt holders (Debt Holders defined in the Waiver Agreement) waived and relinquished all right, to collect from AOXY the debt owed to each of the Debt Holders by Advanced Oxygen Technologies, Inc. (AOXY) in an amount to each Debt Holder as set forth on Schedule 2 in the Waiver Agreement (the "Debt") plus any interest earned thereon. In consideration of the release of the AOXY. AOXY will compensate, pay, transfer, assign and distribute the database ("Database") and all rights thereto, of conference attendees, hi tech decision makers, and other individuals, and all the associated accounts receivable ("Accounts Receivable") due and owing, whether known or unknown.

EMPLOYEES

As of June 30, 2004 the Company had a total of 1 employees. IP Service, Aps had 4 full time employees.

ITEM 2. DESCRIPTION OF PROPERTY

The assets of the Company consist solely IP Services ApS.

ITEM 3. LEGAL PROCEEDINGS

During the period ending June 30, 2004, there were no new issued, pending or threatened legal actions.

Previously, the Company was a party to the following legal proceedings:

On April 30, 1999 NEC America Filed suit against Advanced Oxygen Technologies, Inc. In the Los Angeles Superior Court, North Valley Branch, Case Number PC 023087X alleging default of the Lease Agreement of November, 1998 in the amount of $57,167.28. A judgment against the Company has been filed with the Los Angeles Superior Court.

A previous employee, Tim Rafalovich has filed suit against Advanced Oxygen Technologies, Inc. in the Small Claims court of New Hall, CA alleging that AOXY has not paid approximately $5,000 in wages, case number 99S00761. A judgment was filed against the Company and the Company has subsequently made payments to Mr. Rafalovich.

On June 14, 1999 Airborne Express, Inc. filed suit against Advanced Oxygen Technologies, Inc., case # 99-C00738 in small claims court of Los Angeles CA Municipal district, Newhall Judicial District for $5,093.95, including court costs and attorney's fees alleging monies owed. A judgment was filed against the Company.

On October 08, 1999, Acutrak, Inc. filed suit against the Company in the Municipal Court of Newhall, #99C01251 alleging non payment of invoices of $9.070.45. A judgment was filed on April 3, 2000 against the company.

On September 09, 1998 the Company appeared before the Santa Clarita County small claims court to represent itself in a motion ("Motion") filed by a plaintiff, Alpha Graphics, against John Teuber for a judgment on July 06, 1998 from a case filed May 29,1998, to be amended to the Company. The Motion was denied and the judgment was not amended to reflect the Company as a defendant.

On February 10, 1999 in the Municipal Court of California, county of Los Angeles, Newhall Judicial District, America-United Enterprises, Inc. filed suit against Advanced Oxygen Technologies, Inc., case no. 99U00109, alleging that the February, 1999 rent due on February 01, 1999 had not been paid by Advanced Oxygen Technologies, Inc. The suit has been settled out of court and Advanced Oxygen Technologies, Inc. has tendered the monies owed in full.

On February 19, 1999, Written Communications, Inc. filed suit against Advanced Oxygen Technologies, Inc. in the small claims court in Van Nuys CA Municipal Court, Case no. 99V12825 for unpaid service rendered in the amount of $4,875.00. The company paid the amount in full.

On January 16, 1999, A Better Type filed suit against Advanced Oxygen Technologies, Inc. in the small claims court of the Municipal Court of California, San Diego Judicial District, Case no.691493 alleging non payment for services rendered of $5,000. The Company paid the amount in full.

On March 23, 1999 Corestaff Services filed suit against Advanced Oxygen Technologies, Inc. in the small claims court Newhall CA Judicial district case no 99S00349 for lack of payment in the amount of $4,106. The case was settled out of court and the company has agreed to pay Corestaff $500.00 on the 15th day of each month beginning on June 15, 1999 until any debts owed are paid in full.

On August 01 2001, America United Enterprises, Inc. filed a notice pursuant to Section 1951.3 of the Civil Code concerning the real property lease by the Company at 26883 Ruether Avenue, Santa Clarita CA whereby the real property at the location will be deemed abandoned and the lease will terminate on August 14 2001.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the period ending June 30, 2004, there were no matters submitted to security holders for a vote.

On April 18, 2000, notice in the form of Pre 14A, (see exhibits) was given that the Board of Directors and persons owning 64.7%, or 19,180,500 shares of common stock of Advanced Oxygen Technologies, Inc. have elected to adopt the following proposals:

1. To amend and restate the Company's Restated Articles of Incorporation to increase the Company's authorized Common Shares from 30,000,000 to 90,000,000 shares. The above amendments to the Certificate of Incorporation will be filed with the Secretary of State of the State of Delaware, and the Name Change will become effective as of 5:00 p.m. Eastern Time, on the date of such filing.
2. An amendment to the Company's Certificate of Incorporation to change the name of the Company to AOXY, Inc. The Company's current name was adopted in 1985 when the Company was focused on applications of its technology which it has since disposed of or otherwise abandoned. The Board of Directors believes it would be more appropriate for the Company to utilize a corporate name which more accurately describes the current focus of the Company or is not misleading as to the Company's operations. The above amendments to the Certificate of Incorporation will be filed with the Secretary of State of the State of Delaware, and the Name Change will become effective as of 5:00 p.m. Eastern Time, on the date of such filing.
3. The selection of Bernstein, Pinchuk and Kaminsky. LLP as the Company's independent public accountant for the fiscal year ended June 30, 1999 and 2000 and has further directed that management submit the selection of independent public accountants for ratification by the stockholders by written consents. Stockholder ratification of the selection of Bernstein, Pinchuk and Kaminsky, LLP as the Company's independent public accountants is not required by the Company's by-laws or otherwise and the Company had begun using some of their services.

PART II

ITEM 5. MARKET OF REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the Over-The-Counter Bulletin Board. The following table sets forth the range of high and low bid quotations on the Common Stock for the quarterly periods indicated, as reported by the National Quotation Bureau, Inc. The quotations are inter-dealer prices without retail mark-ups, mark downs or commissions and may not represent actual transactions.

Fiscal Year Ended June 30, 2003	**High**	**Low**
First Quarter	0.025	0.007
Second Quarter	0.02	0.002
Third Quarter	0.045	0.005
Fourth Quarter	0.03	0.007
Fiscal Year Ended June 30, 2004	**High**	**Low**
First Quarter	0.015	0.007
Second Quarter	0.028	0.006
Third Quarter	0.05	0.013
Fourth Quarter	0.025	0.016

At October 8, 2004, the closing bid price of the Company's Common Stock as reported by the National Quotation Bureau, Inc., was $0.011

ITEM 6. PLAN OF OPERATION.

BUSINESS PLAN

The Company currently shares its location with a related company of the President of the Company. Its wholly owned subsidiary, IP Services, ApS is located in Horsens, Denmark. A product called Analizt has been developed as a single core product by IP Services. Analizt is a powerful Security Early Warning System that provides customer specific security vulnerability information from the infrastructure within a computer network. The updated Analizt database contains 'smart infrastructure' and search capability. It is used to identify alerts within the network and provide solutions to these issues. The product is available in three forms: An enterprise product which resides within a network, an ASP model and a Consulting 'Tool kit'. Version 1.0 of the product is currently available. In addition to Analizt, IP Service provides consulting services to customers. Currently all sales and consulting of IP Service are in Western Europe. The sales effort for Analizt are mostly done by resellers. IP Service is in discussions with resellers outside of Western Europe.

During the fiscal year ending June 30, 2004, the Company significantly reduced its expenses, reduced or discontinued unprofitable operations, and concentrated on IP Service and acquisitions. The Company has entered into discussions with the former owners of IP Service to amend the "Compensation" (defined in the Stock Acquisition Agreement of March 6, 2003).

The Company continues it efforts to raise capital to support operations and growth, and is actively searching acquisition or merger with another company that would compliment the Company or IP Service and increase its earnings potential.

CLIENT AND INDUSTRY REPRESENTATION

During this reporting period all database orders and sales were completed through outsourced sales. AOXY has 1 active customer for Database Management. IP Services clients were comprised of network managers, internet clients, and companies looking for increased security for their networks. The resellers of IP Service are security and software sellers, and are all established in their respective geographies.

FORWARD LOOKING STATEMENTS

Certain statements contained in this report, including but not limited to, statements concerning the Company's future and financing requirements, the Company's ability for it or its subsidiary IP Service, to obtain market acceptance of its products and the competitive market for sales of small production business' or small network security business and other statements contained herein regarding matters that are not historical facts, are forward looking statements; actual results may differ materially from those set forth in the forward looking statements, which statements involve risks and uncertainties, including without limitation to those risks and uncertainties set forth in any of the Company's Registration Statements under the heading "Risk Factors" or any other such heading. In addition, historical performance of the Company should not be considered as an indicator for future performance, and as such, the future performance of the Company may differ significantly from historical performance and there is no assurance that the Company or IP Service will be able to raise sufficient capital to pursue or complete the business objectives discussed herein. The forward-looking statements contained in this Report may be impacted by future global, local, or regional events that have a general economic effect. These events may have no direct relation to the Company, the industry, the products, the clients or any other aspect of the Company or its business.

The Company undertakes no obligation to publicly revise these forward looking statement to reflect events or circumstances that arise after the date hereof. Subsequently, readers are cautioned NOT to place undue reliance on these forward looking statements.

ITEM 7. AUDITED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

ADVANCED OXYGEN TECHNOLOGIES, INC.

AND SUBSIDIARY

June 30, 2004 and 2003

Page

REPORT OF INDEPENDENT CERTIFIED

PUBLIC ACCOUNTANTS

Board of Directors and Stockholders

Advanced Oxygen Technologies, Inc.

We have audited the accompanying balance sheet of Advanced Oxygen Technologies, Inc. (the "Company") and subsidiary ("IPS") as of June 30, 2004 and 2003 and the related statements of operations and accumulated deficit, cash flows and stockholders' deficiency for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advanced Oxygen Technologies, Inc. and subsidiary as of June 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company and IPS will continue as a going concern. As shown in the financial statements, the Company and IPS incurred operating losses of $37,201 and $70,885 respectively during the fiscal years ended June 30, 2004 and 2003 and as of those dates, current liabilities exceeded current assets by $357,153 and $327,209, respectively. The foregoing raise substantial doubt about the Company's and IPS's ability to continue as going concerns. The management of IPS has carried out negotiations with various lenders and investors to increase stockholders' equity. So far these negotiations have ended with no result. If the plan is not carried out it is expected that the Danish Commerce Agency (Erhvervs- & Selskabsstyrelsen) will order IPS into forced liquidation in accordance with paragraph 52,3 in the Private Companies Act. The Company's and IPS's continuation as going concerns are dependent on the attainment of profitable operations and meeting its obligations on a timely basis. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Bernstein & Pinchuk LLP

New York, New York

October 12, 2004

Advanced Oxygen Technologies, Inc.
and Subsidiary
CONSOLIDATED BALANCE SHEETS

	June 30,	
ASSETS	2004	2003
	------------	------------

CURRENT ASSETS		
Cash	$ 3,458	$ 128
Accounts receivable, net of allowance of$10,503 (note 3)	-	3,329
Prepaid leasing fee	762	762
Value added tax receivable	8,735	3,919
	------------	------------
Total current assets	12,955	8,138
	------------	------------
PROPERTY AND EQUIPMENT - AT COST, net of accumulated depreciation and amortization (Notes 3 and 4)	14,869	14,206
	------------	------------
OTHER ASSETS		
Intangible software costs (Note 1)	280,000	280,000
	------------	------------
	$ 307,824	$ 302,344
	============	============

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES		
Accounts payable	$ 291,150	$ 247,344
Bank loan-due within one year	544	544
Payroll and sales taxes payable	56,834	59,504
Due to officer of subsidiary company	14,044	14,044
Corporation taxes payable	7,536	7,536
Accrued salaries and expenses	-	6,375
	------------	------------
& Total current liabilities	370,108	335,347

LONG-TERM LIABILITIES		
Due to affiliate (Note 7)		-
Other long term liabilities-due to officer (Note 7)	7,920	-
	------------	------------
	7,920	-
	------------	------------
COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)		
STOCKHOLDERS' DEFICIENCY - (Notes 1, 2, and 10)		
Convertible preferred stock, Series 2, par value $0.01; authorized 10,000,000 shares; issued and outstanding 5,000 shares liquidating preference $25,000	50	50
Convertible preferred stock, Series 3, par value $0.01; authorized and issued, 1,670,000 shares	16,700	16,700
Convertible preferred stock, Series 4; issued and outstanding,	-	-
Convertible preferred stock, Series 5; issued, 1 share	-	-
Common stock, par value $0.01; authorized, 90,000,000 shares; issued and outstanding, 46,973,585 and 32,973,585 shares	469,736	469,736
Additional paid-in capital	20,628,396	20,628,396
Accumulated deficit	(21,177,802)	(21,140,601)
Less treasury stock, at cost - 1,670,000 shares of convertible preferred stock, Series 3	(7,284)	(7,284)
	------------	------------
	(70,204)	(33,003)
	------------	------------
	$ 307,824	$ 302,344
	============	============

ADVANCED OXYGEN TECHNOLOGIES, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

Years ended June 30,	2004	2003
	-------------	-------------

Revenues (Notes 1 and 3)		
Sales of software package	$ 41,421	$ 12,263
	-------------	-------------
	41,421	12,263
	-------------	-------------
Costs and expenses		
Cost of products	1,906	134
Selling and administrative expense-software	58,388	16,627
Professional fees- corporate	5,882	5,800
Telephone- corporate	-	3,304
Research and development expense-software (Note 3)	-	7,190
Office supplies-corporate	-	4,647
Travel-corporate	-	8,058
Transfer agent expense	2,100	2,150
Depreciation and amortization-software (Notes 3 a nd 4)	4,343	2,029
Other costs and expenses-corporate	1,811	9,929
Interest expense	457	155
Foreign exchange	3,735	23,125
	-------------	-------------
	78,622	83,148
	-------------	-------------
Loss from operations before other income (expenses), and income tax expense	(37,201)	(70,885)
	-------------	-------------
Other income (expenses)		
Forgiveness of indebtedness (Note 7)	-	147,999
	-------------	-------------
	-	147,999

NET INCOME (LOSS)	(37,201)	77,114
Accumulated deficit at beginning of year	(21,140,601)	(21,217,715)
	-------------	-------------
Accumulated deficit at end of year	(21,177,802)	$(21,140,601)
	=============	=============
Average number of shares outstanding	46,973,585	37,461,256
Net income (loss) per share	$ 0.00	$ 0.00

Advanced Oxygen Technologies, Inc.

and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2004	2003
	-------------	-------------
Cash flows from operating activities		
Net income (loss)	$ (37,201)	$ 77,114
Adjustments to reconcile net income to net cash		
Depreciation and amortization	4,343	-
Forgiveness of indebtedness	-	(147,999)
Changes in operating assets and liabilities		
Decrease in accounts receivable	3,329	3,200
Increase in value added tax receivable	(4,816)	(3,919)
Increase in accounts payable	43,806	23,195
(Decrease) Increase in payroll and sales taxes payable	(2,670)	23,279
Decrease in accrued liabilities	(6,375)	-
Increase in corporate taxes payable	-	3,576
	-------------	-------------
Net cash proviced by (used in) operating activities	416	(21,554)
	-------------	-------------
Cash flow from financing activities:		
Borrowings from affiliated entities	7,920	23,329
Borrowing from officer-directors	-	14,044
Issuance of bank debt	-	544
	-------------	-------------
Net cash provided by financing activities	7,920	37,917
Cash flow from investing activities:		
Cash payments for the purchase of property	(5,006)	(16,235)

Net cash provided (used) by investing activities	(5,006)	(16,235)
NET INCREASE IN CASH	3,330	128
Cash and equivalents, beginning of year	128	-
Cash and equivalents, end of year	$ 3,458	$ 128
Supplemental Disclosures:		
Interest expense paid	$ 457	$ 155

Other significant transactions -Acquisition of IP Services APS (Note 1) and Forgiveness of debt by affiliates (Note 7)

Advanced Oxygen Technologies, Inc.
and Subsidiary
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
Years ended June 30,

	2004	2003
Common stock, par value $0.01, authorized, 90,000,000 shares; issued and outstanding, as follows:		
Balance at beginning of year 46,973,585 and 32,973,585 shares	$ 469,736	$ 329,736
Issued during year to IP Service ApS shareholders for acquisition of IP Service Aps stock on March 5, 2003	-	140,000
Balance at end of year- 46,973,585 and 32,973,585 shares	$ 469,736	$ 469,736
Additional paid in capital:		
Balance at beginning of year	$ 20,628,396	$ 20,490,298
Increase due to excess of value of assets acquired over par value of shares issued	-	138,098
Balance at end of year	$ 20,628,396	$ 20,628,396
Accumulated deficit:		
Balance at beginning of year	$ (21,140,601)	$(21,217,715)
Net income (loss) for the year	(37,201)	77,114
Balance at end of year	$ (21,177,802)	$(21,140,601)
Other stockholders' deficiency accounts (no change during year)		
Convertible preferred stock, net of treasury stock(see balance sheet)	$ 9,466	$ 9,466
Stockholders' deficiency at end of year	$ (70,204)	$ (33,003)

NOTE 1- ORGANIZATION AND LINE OF BUSINESS

Organization:

Advanced Oxygen Technologies, Inc. (formerly Aquanautic Corporation) (the "Company") was a specialty materials company in the development stage (as defined by the Financial Accounting Standards Board ("FASB") in Statement of Financial Accounting Standards ("SFAS") no. 7, "Accounting and Reporting by Development Stage Enterprises"). The Company's core technology consisted of a variety of materials, which have a high affinity for oxygen. Through 1993 the Company also conducted research through funding from various government agencies such as the office of Naval Research and from Small Business Innovative Research ("SBIR") grants, as well as through its own internally generated funds.

The Company's patent Rights and Trademark Rights were sold to W.R. Grace & Company - Connecticut ("Grace") in February 1995 for $236,000, net of applicable selling costs, in cash plus a royalty of 2% of the net sales price of any products sold by Grace which would, the sale of the Patent Rights notwithstanding, cause a patent infringement.

The Company has agreed to indemnify Grace for any out of pocket costs incurred because of the claims, litigation, arbitration, or other proceedings (a) relating to the validity or ownership of the Patent Rights, (b) relating to any infringement by the Patent Rights of any other patent or trademark owned by a third party, (c) relating to any breach by the Company of its representations, warranties, covenants in the Purchase Agreement, or (d) arising from any state of affairs existing at closing which was not this indemnity. The indemnity is for all such costs up to $75,000 and for 50% of such costs over $75,000. Amounts due Grace under the indemnity would be paid by withholding royalties from the Company.

The Company ceased its normal operation described above during 1995 and had dormant operations until March 1998. During 1997, the Company entered into the following agreements in preparation of starting a new line of business:

Stock Acquisition Agreement:

Pursuant to a Stock Acquisition dated as of December 18, 1997, the Company issued 23,750,000 shares of its common stock, par value $0.01 per share, to several investors for $60,000 in cash, plus consulting services with a fair value of $177,500. In December, 2000 an affiliated creditor received $125,000 to reduce the Company's debt from an unrelated buyer of 3,000,000 shares of common stock which the Company issued during the year

Waiver Agreement:

Three of the Company's shareholders paid $60,000 in cash to former directors in a prior year for the Company's release from liability for repayment of an aggregate of $275,000, plus any interest accrued thereon. In addition, the Company entered into a Trust Agreement (described below) as additional consideration to the former directors.

Trust Agreement:

The Company assigned certain royalty rights and liabilities related to the technology sold to Grace to a trust. As part of the agreement, the trust assumed the obligations of the $275,000 in advances from the former directors.

On March 9, 1998, pursuant to an Agreement of Purchase and Sale of Specified Business Assets ("Purchase Agreement"), a Promissory Note, and a Security Agreement, the Company purchased certain tangible and intangible assets (the "Assets"), including goodwill and rights under certain contracts from Integrated Marketing Agency, Inc. ("IMA"). The assets purchased from IMA consisted primarily of furniture, fixtures, equipment, computers, servers, software, and databases previously used by IMA in its full-service telemarketing business. The purchase price consisted of (a) a cash down payment of $10,000, (b) a note payable of $550,000, and (c) 1,670,000 shares of the Company's Series 3 convertible preferred stock. As described in Note 10, the preferred shares automatically convert into the Company's common shares on March 2, 2000 in a manner that depends on the value of the common stock during the ten trading days immediately prior to March 1, 2000. However, as part of the Purchase Agreement, IMA has the option to redeem the converted shares for the aggregate sum of $500,000 by delivering written notice to redeem the converted shares within ten business days after the conversion date. At the time of the purchase, the fair value of the preferred shares was not clearly evident, even though it appeared to be less than $500,000. Therefore, the purchase price had a fair value of at least $1,060,000. The assets purchased were recorded based upon their fair values.

Pursuant to a Purchase Agreement dated January 28, 1999, the Company purchased the 1,670,000 shares of the Series 3 convertible preferred stock and the promissory note discussed in the preceding paragraph. As part of the agreement, the Company paid $15,000 to IMA, assumed a certain computer equipment lease with remaining obligations totaling $44,811 and executed a one-year $5,000 promissory note to IMA. In addition, both IMA and the Company provided mutual liability releases to each other.

On March 5, 2003, the Company, in exchange for 14,000,000 common shares, acquired the common stock of IP Service Aps("IP") a Danish corporation which developed and sells a software package "Analizt". Analizt is a security early warning tool used by network administrators in order for them to implement security patches on software installations. The product is sold as installed software together with a subscription for information updates for the security database. The common shares issued at the date of acquisition were valued at 2 cents per share assigned entirely to software costs, an intangible asset, which has no fixed determinable life. This asset is evaluated at least annually and any decline in value is charged to operations during that year.

Lines of Business:

Software Development:

Effective, March 5, 2003, with the acquisition of IP Service APS described above, the Company develops and sells the software package, Analizt. IP has finished the first customer release of the product and has been proven satisfactory in the tests that have been performed. IP also works as security consultants and also sells other security software, and has entered into a sales representation agreement with the organization Element5, which will sell Analizt worldwide. IP is involved in educating programmers as well as network security personnel. During the period from March 5, 2003 to June 30, 2003 approximately $9,000 of its revenues were derived from a single customer and all revenues were derived from operations in Denmark.

Consolidation:

These financial statements include the Company and IP. Intercompany transactions and balances, if any, are eliminated in consolidation.

The financial statements include the accounts of IP commencing March 5, 2003, the date of acquisition.

NOTE 2 - GOING CONCERN AND BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, which contemplate continuation of the Company and IP as going concerns. As shown in the financial statements, the Company and IP incurred operating losses and had negative working capital at June 30, 2004 and 2003. These factors raise substantial doubt about the Company's and IP's ability to continue as going concerns.

In view of the matters described in the preceding paragraph, continued operations are dependent upon the Company's ability to continue to raise capital and generate positive cash flows from operations. These financial statements do not include any adjustments relating to the classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company and IP be unable to continue its existence.

Management plans to take the following steps, which it believes will be sufficient to provide the Company with the ability to continue in existence:

- Increase its business volume and customer base.

- Acquire additional debt or equity financing.

- Control its costs in order to achieve its profit goals.

- Complete the development of Analizt software and launch it on a worldwide basis.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition:

Product Sales:

Revenue is recognized when delivery is made and risk has passed to the buyer. Revenues are recognized net of value added taxes, where required, duties and sales discounts. Database revenues are recognized after the reservation has been made and the time period for the registrant to cancel the registration and still receive a refund has expired.

Consulting Income:

Revenue is recognized at the time the consulting work is performed.

Research and development:

Costs for development of new products, and the development of Analizt software, are expensed as incurred. Once software is determined to be technologically feasible, such costs will be capitalized and amortized.

Property and equipment:

Property consisting of fixtures and fittings, tools and equipment are recorded at cost and are depreciated over their estimated lives of 5 years. Impairment losses, if any, are recognized when they become apparent. Small acquisitions are expensed as incurred.

Accounts receivable:

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts.

The Company uses the allowance method for uncollectible trade receivable balances. Under the allowance method, an estimate of uncollectible customer balances is made based on the percentages of balances that exceed certain levels. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and is written off against the allowance balance.

Prepayments:

Prepayments comprise incurred costs relating to subsequent periods. Prepayments are carried at amortized cost.

Foreign currency translation:

Foreign currency transactions are translated applying the current rate method. Assets and liabilities are translated at current rates. Stockholders' equity accounts are translated at the appropriate historical rates and revenue and expenses are translated at weighted average rates for the year. Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or at the balance sheet date, are recognized in the income statement.

Income Taxes:

The Company accounts for income taxes under the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is required when it is less likely than not that the Company will be able to realize all or a portion of its deferred tax assets. Because it is doubtful that the net operating losses of recent years will ever be used, a valuation allowance has been recognized equal to the tax benefit of net operating losses generated.

Net Earnings per Share:

The Company adopted SFAS No. 128, "Earnings per Share". Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Company to major credit risk consist principally of receivables from a single customer.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2004 and 2003 consisted of the following:

Value at acquisition March 5, 2003 $ 21,241 $ 16,235

Less accumulated depreciation and

amortization 6,372 2,029

$ 14,869 $ 14,206

Depreciation and amortization expense for the periods ended June 30, 2004 and 2003 were $4,343 and $2,029 respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS AND COMMITMENTS-IP SERVICE APS

Kurt Soendergaard, an officer of IP, and a shareholder prior to its acquisition by the Company was authorized to receive a salary of approximately $14,000 during the period March 5, 2003 to June 30, 2003, but has not received the salary and has agreed to postpone the payment of the salary indefinitely. The amount of the salary due to the officer has been recorded as a current liability.

IP leases office space from Mr. Soendergaard under an operating lease expiring in 2005 providing for an annual rent of approximately $4,000 or a total commitment of approximately $8,700.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Lease Commitment:

On October 1, 1998, the Company entered into a non-cancelable lease agreement expiring in 2003 for its operating facilities in Santa Clarita, California. At June 30, 2004 the accumulated unpaid rent aggregated approximately $135,000.

See also Note 5 for discussion of other current rent and other commitments.

Contingency:

Since July 2002 IP has been developing the internet security software, Analizt. Prior to July 2002 research was carried out by a related party to IP (IP Solutions A/S) pertaining to a product (MYTH-Software) with some of the same characteristics as Analizt. IP Solutions A/S filed for bankruptcy in April 2002. Soon after a Danish public funding organization (Vaekstfonden) continued the research which had been carried out prior to bankruptcy. In August 2002 IP purchased the project from Vaekstfonden. However, since Vaekstfonden did not deliver the research, IP never paid the contract price of approximately $3,750 in cash plus a loan of approximately $45,000 on special terms and Vaekstfonden finally revoked the sale on October 2, 2002. It is uncertain whether Vaekstfonden will file a lawsuit against IP for violation of the sales contract. It is also possible that Vaekstfonden will seek compensation due to the similarity of the product functionality of MYTH-Software and the new developed product ANALIZT. According to management, IP has not infringed on Vaekstfonden's rights to the MYTH-Software, as ANALIZT is developed in a different platform environment.

NOTE 7 - DUE TO AFFILIATE

Due to affiliate at June 30, 2004 consisted of advances payable to Crossfields, Inc., a related party, which are not collateralized, non-interest bearing, and payable upon demand, however, the Company did not expect to make payment within one year. During the year ended June 30, 2004 and 2003 the Company borrowed $8,010 and $16,277, respectively, from affiliates and officers to meet expenses. The balances were not collateralized,were non-interest bearing and were payable on demand. On June 26, 2003, the affiliate and an officer forgave obligations totalling $147,999 and received no consideration from the company for so doing.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to June 30, 2004, the management and owners of IP have been negotiating with prospective investors about injecting additional capital to carry on IP Service ApS' operations, including continuing the development and marketing of Analizt. Negotiations have not shown any result yet, and therefore it is uncertain whether the Company can carry on its operations in the coming financial year. The Company does not have the necessary capital to pay its debts and in case the continuing negotiations will not be successful it must be expected that the Company will go into liquidation proceedings.

NOTE 9 - INCOME TAXES

As of June 30, 2004, the Company had federal and state net operating loss carryforwards of approximately $12,400,000 of which approximately $1,600,000 may be utilized to offset future taxable income. Section 382 of the Internal Revenue Code imposes substantial restrictions on the utilization of net operating loss and tax credit carryforwards when a change in ownership occurs. No deferred tax debits have been recorded because it is considered unlikely that they will be realized. The loss carryforwards will expire during the fiscal years ended June 30 as follows:

2012 $464,000

2018 236,000

2019 548,000

2020 351,000

2021 29,000

Total $1,628,000

The overall effective tax rate differs from the federal statutory tax rate of 34% due to operating losses and other deferred assets not providing benefit for income tax purposes.

NOTE 10 - SHAREHOLDERS' EQUITY:

Preferred Stock:

The Company is authorized to issue 10,000,000 shares of $0.01 par value preferred stock. The Company may issue any class of preferred shares in series. The board of directors has the authority to establish and designate series and to fix the number of shares included in each such series.

Series 2 Convertible Preferred Stock:

Each Series 2 preferred share is convertible into two shares of common stock at the option of the holder. Each Series 2 preferred share also includes one warrant to purchase two common shares for $5.00. The warrants are exercisable over a three-year period. In the event of the liquidation of the Company, holders of Series 2 preferred stock would be entitled to receive $5.00 per share, plus any unpaid dividends declared on the Series 2 preferred stock from the funds remaining after the Company's creditors, including directors, have been paid. There have been no dividends declared.

During November 1997, 172,000 shares of Series 2 preferred stock were converted into 344,000 shares of the Company's common stock.

Series 4 Convertible Preferred Stock:

The shares are collectively convertible to common stock of the Company on March 5, 2004, in an amount equal to the greater of a.) 290,000 shares divided by the ten day closing price, prior to the date of acquisition of IPS, of the Company's common stock as quoted on the national exchange and not to exceed twenty million shares, or b.) six million shares.

ITEM 8. Changes in and Disagreements with Accounts on Accounting and Financial Disclosure

The Company has no disagreements with accountants on accounting and financial disclosure. During this time AOXY has engaged Bernstein Pinchuk & Kaminsky, Llp, Seven Penn Plaza, New York, NY, 10001

PART III

ITEM 9. Directors and Officers of the Registrant

Set forth below is information regarding the Company's directors and executive officers, including information furnished by them as to their principal occupations for the last five years, other directorships held by them and their ages as of June 30, 2004. All directors are elected for one-year terms, which expire as of the date of the Company's annual meeting.

Name	Age	Position	Director Since:
Robert E. Wolfe	41	Chairman of the Board and CEO	1997
Lawrence Donofrio	53	Director	2003
Kurt Søndergaard	54	Director	2003

Robert Wolfe has been the Chairman and CEO for AOXY, Inc. since 1997. Concurrently he has been the President and CEO of Crossfield, Inc. and Crossfield Investments, llc , both corporate consulting companies. From 1992-1993 he was Vice President and partner for CFI, NY Ltd. A Subsidiary of Corporate Financial Investments, PLC, London.

Kurt Søndergaard has been a director of the Company since March, 2003 and he was a founder and major shareholder of the IP Services, ApS. Mr. Søndergaard was educated in the Danish Navy as an electronic engineer. He has worked for 10 years in the electronic security industry, specifically in the IT sector. During this period, Kurt has developed as a business entrepreneur, building and selling an IT business.

Lawrence Donofrio has been a director of the Company and a memeber of the Compensation Committee since March 2003. He graduated from Hamilton College with a BA in English studies. He then worked at Citibank for three years as a financial analyst, and five years as a private financial consultant. He then took a position with Bankers Trust for two years and since 1982 has been a private consultant in the financial industry.

ITEM 10. Executive Compensation

Robert Wolfe, Chairman and CEO has waived his $350,000 annual for the year ending June 30, 2004. No officer or director received any compensation from the Company during the last fiscal year. The Company paid no bonuses in the last three fiscal years ended June 30, 2004 to officers or other employees. Prior to the Stock Acquisition of December 12, 1997, the Company's Chief executive officer and Chairman of the Board was Harry Edelson. Mr. Edelson received no compensation during the fiscal year ending June 30, 2004.

The following table sets forth the total compensation paid or accrued to its Chief Executive Officer, Robert E. during the fiscal year ending June 30, 2004. There were no other corporate officers in any of the last three fiscal years.

Executive Compensation

Name	Yr.	Salary	Bonus	Other Compensation	Restricted Awards	LTIP Awards	Other
Robert E. Wolfe	2004	0	0	0	0	0	0

OPTION GRANTS DURING 1999; VALUE OF OPTIONS AT YEAR-END

The following tables set forth certain information covering the grant of options to the Company's Chief Executive Officer, Mr. Robert E. during the fiscal year ended June 30, 2004 and unexercised options held as of that date. Mr. Wolfe did not exercise any options during fiscal 2004.

Name	# of Securities	% Total Options	Option Price	Exercise Price	Expiration Date
Robert E. Wolfe	0	0	0	0	0

Compensation Committee Report

The Compensation Committee of the Board of Directors was responsible for reviewing and approving the Company's compensation policies and the compensation paid to executive officers. Mr. Wolfe and Mr. Donofrio, who comprise the Compensation Committee are employee and non-employee directors respectively.

Compensation Philosophy

The general philosophy of the Company's compensation program, which has been reviewed and endorsed by the Committee, was to provide overall competitive compensation based on each executive's individual performance and the Company's overall performance.

There are two basic components in the Company's executive compensation program: (i) base salary and (ii) stock option awards.

Base Salary

Executive Officers' salaries are targeted at the median range for rates paid by competitors in comparably sized companies. The Company recognizes the need to attract and retain highly skilled and motivated executives through a competitive base salary program, while at the same time considering the overall performance of the Company and returns to stockholders.

Stock Option Awards

With respect to executive officers, stock options are generally granted on an annual basis, usually at the commencement of the new fiscal year. Generally, stock options vest ratably over a four-year period and the executive must be employed by the Company in order to vest the options. The Compensation Committee believes that the stock option grants provide an incentive that focuses the executives' attention on managing the Company from the perspective of an owner with an equity stake in the business. The option grants are issued at no less than 85% of the market price of the stock at the date of grant, hence there is incentive on the executive's part to enhance the value of the stock through the overall performance of the Company.

Compensation Pursuant to Plans

The Company has three plans (the "Plans") under which its directors, executive officers and employees may receive compensation. The principal features of the 1981 Long-Term Incentive Plan (the "1981 Plan"), the 1988 Stock Option Plan (the "1988 Plan"), and the Non-Employee Director Plan (the "Director Plan") are described below. During the fiscal year ended June 30, 1994, the Company terminated its tax qualified cash or deferred profit-sharing plan (the "401(k) Plan"). During fiscal 1998, no executive officer received compensation pursuant to any of the Plans except as described below.

The 1981 and 1988 Plans

The purpose of the 1981 Plan and 1988 Plan (the "Option Plans") is to provide an incentive to eligible directors, consultants and employees whose present and potential contributions to the Company are or will be important to the success of the Company by affording them an opportunity to acquire a proprietary interest in the Company and to enable the Company to enlist and retain in its employ the best available talent for the successful conduct of its business.

The 1981 Plan

The 1981 Plan was adopted by the Board of Directors in May 1981 and approved by the Company's stockholders in March 1982. A total of 500,000 shares have been authorized for issuance under the 1981 Plan. With the adoption of the 1988 Plan, no additional awards may be made under the 1981 Plan. As a result, the shares remaining under the 1981 Plan are now available solely under the 1988 Plan. Prior to its termination, the 1981 Plan provided for the grant of the following five types of awards to employees (including officers and directors) of the Company and any subsidiaries: (a) incentive stock rights, (b) incentive stock options, (c) non-statutory stock options, (d) stock appreciation rights, and (e) restricted stock. The 1981 Plan is administered by the Compensation Committee of the Board of Directors.

The 1988 Plan

The 1988 Plan provides for the grant of options to purchase Common Stock to employees (including officers) and consultants of the Company and any parent or subsidiary corporation. The aggregate number of shares which remained available for issuance under the 1981 plan as of the effective date of the 1988 Plan plus an additional 500,000 shares of Common Stock.

Options granted under the 1988 Plan may either be immediately exercisable for the full number of shares purchasable thereunder or may become exercisable in cumulative increments over a period of months or years as determined by the Compensation Committee. The exercise price of options granted under the 1988 Plan may not be less than 85% of the fair market value of the Common Stock on the date of the grant and the maximum period during which any option may be paid in cash, in shares if the Company's Common Stock or through a broker-dealer same-day sale program involving a cash-less exercise of the option. One or more optionees may also be allowed to finance their option exercises through Company loans, subject to the approval of the Compensation Committee.

Issuable Shares

As of September 20, 1995, approximately 374,000 shares of Common Stock had been issued upon the exercise of options granted under the Option Plans, no shares of Common Stock were subject to outstanding options under the Options Plans and 626,000 shares of Common Stock were available for issuance under future option grants. From July 1, 1991 to September 20, 1995, options were granted at exercise prices ranging from $1.22 to $8.15 per share. The exercise price of each option was equal to 85% of the closing bid price of Company's Common Stock as reported on the NASDAQ Over the Counter Bulletin Board Exchange. Due to employee terminations, all options became void in August 1995. As of September 30, 2001 1,000,000 shares of Common Stock were available for issuance under future option grants.

Board of Directors Compensation

As of June 30, 2004 the directors did not receive any compensation for serving as members of the Board.

In addition to any cash compensation, non-employee directors also are eligible to participate in the Non-Employee Director Stock Option Plan and to receive automatic option grants thereunder. The Director Plan provides for periodic automatic option grants to non-employee members of the Board. An individual who is first elected or appointed as a non-employee Board member receives an annual automatic grant of 25,000 shares plus the first annual grant of 5,000 shares, and will be eligible for subsequent 5,000 share grants at the second Annual Meeting following the date of his initial election or appointment as a non-employee Board member.

During the fiscal year ended June 30, 2004, no options were granted to non-employee Board members.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of June 30, 2004, by (i) all those known by the Company to be beneficial owners of more than 5% of its Common Stock; (ii) all directors; and (iii) all officers and directors of the Company as a group.

Name and Address of Beneficial Owner	No. Shares fully diluted	% ownership
Hennistone Projects Ltd.2 Eastglade Northwood Middlessex, HA6 3LD UK	11,760,000	24.90%
Coastal Oil, Ltd. 40 Santa Rita Road Corazal, Belize, Central America	8,906,250	18.96%
Crossland, ltd. 104B Saffrey Square Nassau, Bahamas	5,937,500	12.64%
Crossland Ltd. Belize 60 Market Square PO Box 364 Belize City, Belize, Central America	3,343,750	7.12%
Eastern Star, Ltd Bay Street Nassau Bahamas	3,280,000	6.98%
Robert E. Wolfe	90,000	0.27%
Lawrence Donofrio	0	0.00%
Kurt Søndergaard	0	0.00%

ITEM 12. Certain Relationships and Related Transactions

The Company's transactions with its officers, directors and affiliates have been and such future transactions will be, on terms no less favorable to the company than could have been realized by the Company in arms-length transactions with non-affiliated persons and will be approved by a majority of the independent disinterested directors.

ITEM 13. Exhibits and Reports on Forms 8-K

Exhibits

Material Contracts

a. 1981 Long-Term Incentive Plan, as amended in September 1988, incorporated herein by reference to Appendix A to the Registrant's 1986 definitive Proxy Statement.

b. 1988 Stock Option Plan, incorporated by reference to the Registrant's 1988 definitive Proxy Statement filed pursuant to Regulation 14A
c. Non-Employee Director Stock Option Plan incorporated by reference to the Registrant's report on Form 10-K for the fiscal year ended June 30, 1993
d. Patent Purchase Agreement between Advanced Oxygen Technologic Inc., and Grace-Conn, dated February 10, 1995 incorporated by reference to the Registrant's 1995 definitive Proxy Statement filed pursuant to Regulation 14A
e. Contingent Plan of Liquidation dated February 10, 1995, incorporated by reference to the Registrant's 1995 definitive Proxy Statement filed pursuant to Regulation 14 A
f. Stock Acquisition Agreement dated December 18, 1997 incorporated by reference to the Registrant's report on form 8-K as Exhibit A
g. Purchase Agreement of December 18, 1997 incorporated by reference to the Registrant's report on form 8-K as Exhibit B
h. Waiver Agreement incorporated by reference to the Registrant's report on form 8-K as Exhibit C
i. Trust Agreement incorporated by reference to the Registrant's report on form 8-K dated, December 18, 1997 as Exhibit D
j. Assignment and Assumption Agreement incorporated by reference to the Registrant's report on form 8-K dated, December 18, 1997 as Exhibit D
k. Agreement For Purchase & Sale Of Specified Business Assets incorporated by reference to the Registrant's report on form 8-K dated March 09, 1998 as Exhibit 1
l. Covenant of Non-Competition incorporated by reference to the Registrant's report on form 8-K dated March 09, 1998 as Exhibit B
m. Promissory Note of March 09, 1998 incorporated by reference to the Registrant's report on form 8-K dated March 09, 1998 as Exhibit C
n. Security Agreement of March 09, 1998 incorporated by reference to the Registrant's report on form 8-K dated March 09, 1998 as Exhibit D
o. Employment Agreement, John Teuber, incorporated by reference to the Registrant's report on form 8-K dated March 09, 1998 as Exhibit F
p. Employment Agreement, Nancy Gaylord, dated March 13, 1998 attached hereto as Exhibit 1
q. America United Lease, dated September 23, 1998 incorporated by reference to the Registrant's report form 10-QSB dated November 16, 1998
r. NEC Lease, date November 10, 1998, incorporated by reference to the Registrant's report form 10-QSB dated January 28, 1999 as Exhibit I.
s. Purchase Agreement of 1/29/99, dated January 29, 1999, incorporated by reference to the Registrant's report form 8-K dated February 17, 1999 as Exhibit I
t. Amendment of the Articles of Incorporation dated April 18, 2000, incorporated by reference to the Registrant's 2000 definitive Proxy Statement filed pursuant to Regulation 14 A attached hereto.
u. Sale of Equity Securities of January 12, 2001. Incorporated by reference to the Registrant's report on Form 8-K dated January 12, 2001 also attached hereto. The Company sold to Purchasers (the "Purchasers" as defined in the Purchase Agreement) an amount of three million (3,000,000) shares (the "Regulation S Shares") of the capital stock of AOXY, Inc., ("AOXY") pursuant to the Purchase Agreement ("Purchase Agreement" Exhibit A) in an amount to each Purchaser as set forth on Schedule 1 of the Purchase Agreement attached thereto. The Regulation S Shares have not been registered under the Securities Act of 1933, as amended, in reliance on the exemption from registration provided by Rule 903(c)(2) of Regulation S. Consideration for the Regulations S Shares consisted of $125,000 cash and forgiveness of debt.
v. Stock Acquisition Agreement of March 5, 2003 (Exhibit 1, contained herein):Pursuant to a stock acquisition agreement on March 05, 2003 Advanced Oxygen Technologies, Inc. (AOXY or the Buyer) purchased 100% of the issued and outstanding stock of IP Services, ApS (IP or the Company) from all of its owners (the Shareholders) for value of five hundred thousand dollars (Purchase Price). AOXY issued fourteen million shares of common stock and one share of preferred convertible stock to the Shareholders for payment and consideration of the Purchase Price.
w. Employment Agreement of March 5, 2003: Pursuant to an Employment Agreement (contained within Exhibit 1) Kurt Søndergaard (the "Employee") will be employed by AOXY for four years and will perform duties of president of IP Services, Aps.
x. Convenant of Non Competition of March 5, 2003: Pursuant to the covenant of non competition agreement, the Shareholders of IP Services, Aps agreed not to compete with IP Services, Aps for a period of five years,

REPORTS ON FORM 8-K

A report on Form 8-K was filed on January 16, 1998 and reported under Item 1 that all directors and officers of AOXY resigned on December 18, 1997 and Robert E. Wolfe and Joseph N. Noll were elected as directors and Mr. Wolfe was appointed president in association with the transaction of December 18, 1997 of the Stock Acquisition Agreement, the Purchase Agreement, the Waiver Agreement and the Trust Agreement (all exhibited thereto). Under Item 2 that certain royalty rights and liabilities related to technology AOXY sold to a third party was transferred to a trust for the benefit of the AOXY shareholders of record of date. Further reported under Item 7 was the sale of 23,750,000 shares of AOXY common stock as of December 18, 1997 that were not registered under the Securities Act of 1933, as amended, in reliance on the exemption from registration provided by Rule 903 (c) (2) of Regulation S. for consideration of $60,000 cash and $177,500 in consulting services.

A report on Form 8-K was filed on February 17, 1999 and reported under Item 2 the Purchase of Specified Assets from Integrated Marketing Agency, Inc. The assets purchased consisted of 1,670,000 shares of convertible preferred stock of Advanced Oxygen Technologies, Inc. ("STOCK") and a $550,000 promissory note issued by Advanced Oxygen Technologies, Inc ("Note") from Integrated Marketing Agency, Inc.("IMA"). The terms of the Purchase Agreement were: AOXY paid $15,000 to IMA, assumed a Citicorp Computer Equipment Lease, #010-0031648-001 from IMA, delivered to IMA certain tangible business property (as listed in Exhibit A of the Purchase Agreement), executed a one year $5,000 promissory note with IMA, and delivered to IMA a Request For Dismissal of case #PS003684 (restraining order) filed in Los Angeles county superior court. IMA sold, transferred, and delivered to AOXY the Stock and the Note. IMA sold, transferred, assigned and delivered the Note and the Stock to AOXY, executed documents with Citicorp Leasing, Inc. to effectuate an express assumption by AOXY of the obligation under lease #010-0031648-001 in the amount of $44,811.26, executed a UCC2 filing releasing UCC-1 filing #9807560696 filed by IMA on March 13, 1998, and delivered such documents as required. In addition, both IMA and AOXY provided mutual liability releases for the other.

A report on Form 8-K was filed on January 12, 2001 for the Sale of Equity Securities whereby the Company sold to Purchasers the "Purchasers" as defined in the Purchase Agreement) an amount of three million (3,000,000) shares (the "Regulation S Shares") of the capital stock of AOXY, Inc., ("AOXY") pursuant to the Purchase Agreement ("Purchase Agreement" Exhibit A) in an amount to each Purchaser as set forth on Schedule 1 of the Purchase Agreement attached thereto. Consideration for the Regulations S Shares consisted of $125,000 cash and forgiveness of debt.

A report on Form 8-K was filed on February 14, 2002 giving notice of the change of the Company's location, and location of books and records from Advanced Oxygen Technologies, Inc. 26883 Ruether Avenue, Santa Clarita, CA, 91351 ("CA Location") to Advanced Oxygen Technologies, Inc. c/o Crossfield, Inc. 133 W 13th Street, Suite #5, New York, NY 10011, Telephone (212)-727-7085, Fax (208)-439-5488. This location is co-located with a related business of the president, Robert E. Wolfe.

A report on Form 8-K was filed on March 5, 2003 (Exhibit 1, contained herein)giving notice that: i)under item 2:ACQUISITION OR DISPOSITION OF ASSETS that pursuant to a stock acquisition agreement on March 05, 2003 Advanced Oxygen Technologies, Inc. (AOXY or the Buyer) purchased 100% of the issued and outstanding stock of IP Services, ApS (IP or the Company) from all of its owners (the Shareholders) for value of five hundred thousand dollars (Purchase Price). AOXY issued fourteen million shares of common stock and one share of preferred convertible stock to the Shareholders for payment and consideration of the Purchase Price, that pursuant to an Employment Agreement AOXY entered into an agreement with Kurd Søndergaard (Employee). The Employee will be employed by AOXY for four years and will perform duties of president of IP, that pursuant to the covenant of non competition agreement, the Shareholders agreed not to compete with IP for a period of five years, and ii) under ITEM 6: RESIGNATIONS OF REGISTRANTS DIRECTORS: at a special meeting of the Board of Directors, AOXY removed Joseph N. Noll as a director due to his inability to perform his duties as a director. AOXY appointed Kurt Søndergaard and Lawrence Donofrio to the board of directors to replace Joseph N. Noll.

A report on Form 8-K was filed on June 26,2003 (Exhibit 2, contained herein) and reported pursuant to a Waiver Agreement that the debt holders (Debt Holders defined in the Waiver Agreement) waived and relinquished all right, to collect from Advanced Oxygen Technologies, Inc. the debt owed to each of the Debt Holders by Advanced Oxygen Technologies, Inc. (AOXY) in an amount to each Debt Holder as set forth on Schedule 2 in the Waiver Agreement (the "Debt") plus any interest earned thereon. In consideration of the release of the AOXY. AOXY will compensate, pay, transfer, assign and distribute the database ("Database") and all rights thereto, of conference attendees, hi tech decision makers, and other individuals, and all the associated accounts receivable ("Accounts Receivable") due and owing, whether known or unknown.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): ADVANCED OXYGEN TECHNOLOGIES, INC.

Date: October 12, 2004 By (Signature and Title):

/s/ Robert E. Wolfe /s/

Robert E. Wolfe

President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: October 12, 2004 By (Signature and title):

/s/Lawrence Donofrio /s/

Lawrence Donofrio

Director

Date: October 12, 2004 By (Signature and title):

/s/Kurt Søndergaard /s/

Kurt Søndergaard

Director14. Miscellaneous Provisions

(Exact Name of Registrant as Specified in its Charter)

2. Construction and Interpretation.
2.1. All documents referred to in this Agreement as Schedules and Exhibits are hereby incorporated by such reference as a part of this Agreement as though set forth in full at the point of such reference.